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DEPT FOR EUR (DICARLO), D (SMITH), P (BAME), EUR/SCE  
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SUBJECT: BOSNIA: JUNE PIC AGREES ON OHR CLOSURE TIMELINE,  
JUNE 2007

Classified By: AMBASSADOR DOUGLAS MCELHANEY, REASONS 1.4 (B) AND (D).

¶1. (C) SUMMARY: At the June 22-23 meeting of Peace Implementation Council (PIC) Steering Board Political Directors in Sarajevo, the Steering Board agreed to begin preparations for the closure of OHR in June, 2007. The Steering Board agreed to "review and confirm" this decision at the Feb/March 2007 PIC Steering Board Meeting, and endorsed an enhanced EU Special Representative (EUSR) to succeed OHR to coordinate meetings of the international community and to engage with BiH counterparts on a range of issues. (Note: HighRep Schwarz-Schilling was less nuanced at his post-PIC press conference, stating very simply that the PIC had "decided to close the Office of the High Representative," although he did make clear that the decision would be reviewed in early 2007. He further asserted that he would be the new post-OHR EUSR, although we understand the EU/EC has not made such a decision. End Note.) Both President Tihic and PM Terzic pleaded with the PIC not to announce the closure of OHR at this time, citing the upcoming October BiH elections and the potential for regional instability resulting from a Kosovo status decision. Terzic went so far as to say he believed the international community (IC) was "making a terrible mistake," and that the last time the IC made such a mistake, 300,000 Bosnians paid with their lives. EUR/SCE Director Charles English headed the U.S. del. END SUMMARY.

¶2. (C) In a June 22 meeting that included an appearance by BiH President Tihic, the HighRep gave an assessment of the status of BiH's reform process in an effort to inform the debate over the proposed closure of OHR in June 2007 and whether to retain the Bonn Powers beyond the end of the OHR mandate. The HighRep noted that the process of reform had slowed significantly in the last few months, precisely when it should be accelerating if a Stabilization and Association Agreement (SAA) is to be signed with the European Commission by the end of the year. He also listed increased ethnic tensions in Mostar, the talk of a referendum in the Republika Srpska following the Montenegrin independence vote and an upcoming decision on Kosovo as potential flashpoints. However, the HighRep argued that none of these issues, in his view, should prevent the transition from OHR to an EUSR in June 2007 from proceeding.

¶3. (C) Tihic addressed the PIC Steering Board specifically to argue against the Steering Board announcing a plan to end OHR. He provided six reasons why the closure of OHR should not be announced now: 1. the Montenegrin independence

referendum (and the rhetoric of referendum, as a result, in the RS); 2. an impending decision on Kosovo's status; 3. the failure of constitutional reform and (in his opinion) the opportunistic radicalization of Bosnian politics that has resulted; 4. October's national elections; 5. war criminals who remain at large; and 6. a (perceived) need to link signing an EU SAA and closure of OHR. In a follow-on session with BiH authorities June 23, PM Terzic echoed Tihic's concerns, going so far as to say he believed the IC was "making a terrible mistake," and that the last time the IC had made such a mistake, Bosnia had "paid with 300,000 lives."

¶4. (C) Later in the June 23 open session, the Steering Board called on BiH officials to continue progress on reforms necessary to conclude a Stabilization and Association Agreement (SAA) with the EU, particularly police reform, a public broadcasting law and resolution of the dispute on revenue allocation. PIC members further underlined that despite BiH leaders' statements to the contrary, the PIC would make no direct link between concluding SAA negotiations and the end of the OHR mandate.

¶5. (C) The prevailing opinion among PIC Political Directors at the closed session was that a June 2007 closure, and the announcement of it now, was both reasonable and necessary if BiH leaders are to assume full responsibility for governing and meeting the demands of the SAA process. A final decision to review and confirm the end of OHR would be made at the Feb/March 2007 PIC Steering Board meeting. A decision on any possible continued use of Bonn Powers post-OHR also would be taken at the Feb/March 2007 meeting.

¶6. (C) The Steering Board welcomed the EU/EC proposal for an enhanced EUSR to coincide with the end of OHR. This enhanced

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EUSR would coordinate meetings of the IC in BiH and engage with BiH counterparts on a range of issues related to EU integration, including constitutional reform. USDel expressed support for an enhanced EU role in BiH post-OHR, but also made clear that the new EUSR would not have the authority to coordinate or speak on behalf of the international community as had OHR.

¶7. (C) In its communique, the PIC Steering Board announced it had agreed to begin preparations to close OHR in June 2007. HighRep Schwarz-Schilling was more direct in his post-PIC press conference, stating that the PIC had "decided to close the Office of the High Representative", although he made clear the plan to review the decision in early 2007 (a fact that was reflected in the media). He further asserted that he would be the new EU Special Representative (EUSR), although we understand the EU/EC has not decided on such an appointment.

¶8. (C) COMMENT: The PIC Steering Board's decision to move ahead with OHR's phase out is an important one for BiH to truly move beyond Dayton and take on full responsibility for its own affairs. Tihic's and Terzic's dire predictions notwithstanding, the February/March 2007 &review date<sup>8</sup> will provide an opportunity to reassess this decision based on the prevailing conditions on the ground and in the region. In the meantime, we will continue to work to buck up worried Bosniaks and reassure them that the closure of OHR is merely another step forward on the road to Bosnia's transition to becoming a modern European state. The backdrop of a disengaged and ineffective HighRep should only serve to strengthen the argument that it is time to move on. The internal EU/EC discussion over the mandate of the new EUSR has only begun and will bear careful watching. Schwarz-Schilling's obdurate insistence on spelling out "his" future mandate may only harden EC resolve to water it down.  
END COMMENT.

¶9. (U) This cable was cleared by Charles English, EUR/SCE

**Director.**  
**MCELHANEY**